



City Council Report

Date: April 23, 2012
To: City Council
Through: Chuck Odom, Senior Executive Manager
From: Candace Cannistraro, Management and Budget Director
Kari Kent, Deputy City Manager
John Pombier, Deputy City Manager
Subject: Fiscal Year 2012/2013 Utility Rate Adjustments

Strategic Initiatives



PURPOSE AND RECOMMENDATION

The purpose of this report is to provide support for the utility rate adjustments proposed for the fiscal year ending June 30, 2013 (FY 2012/13), which are consistent with the revenue requirements of the Preliminary Budget Plan for that year. Staff recommends the Committee approve the following schedule of utility rate adjustments. The rate adjustments below will be applied uniformly to all utility program rates and service classes, unless otherwise noted.

	Prior Year Projection	FY2012/13 Proposal
Electric	0.0%	0.0%
Natural Gas	2.5%	0.0%
Water	6.8%	0.0%
Wastewater	5.8%	0.0%
Solid Waste	1.4%	0.0%
District Cooling	3.0%	0.0%

The City of Mesa conducted a survey during March 2012 to determine the average financial impact of the rate adjustments on residential customers (See Attachment 1). The survey identified the amount of revenue generated from property taxes, city sales tax, and utility rates (except for electric and natural gas) by Mesa and six other local municipalities. Survey results revealed Mesa's overall cost is currently the third lowest city. Mesa will remain the third lowest city if the rate recommendations are approved.

BACKGROUND AND DISCUSSION

Utility rate revenue is the City's third largest source of revenue after city sales tax and state shared revenue. Rate schedules are adjusted annually in a manner consistent with costs of capital, as well as the fixed and variable costs of operation and maintenance.

Savings to Debt Service Payments

This year the recommendation not to increase utility rates stems from changes in methodology in dealing with the City's utility bond debt that include:

- Restructuring the 2002 Bonds issuances through changing them from non-taxable bonds to taxable bonds.
- Right-sizing the Capital Improvement Plan (CIP) for the anticipated changes in service delivery needs.
- Amortizing or smoothing the future debt to minimize the peak debt load through a combination of strategically placed interest-only payments earlier and key principal payments later.

Water

Staff is recommending the water utility rates and components to remain the same except for the sale of commercial reclaimed water (WR3.1).

The water utility is also proposing to discontinue the sale of commercial reclaimed water service (WR3.1). There are no customers currently purchasing this service and no sales are expected in the future.

ALTERNATIVES

1. Modify the FY 2012/13 utility rate adjustment proposal.

FISCAL IMPACTS

The FY 2012/13 proposed utility rate adjustments will have no fiscal impact.

Attachments:

1. Average Homeowner's Charges Survey – Local Comparisons
2. Forecast Analysis Model for Utilities
3. Twenty-five Year Residential Rate History
4. Notice of Intention
5. Placeholder for ordinances, resolutions, and rate schedules

AVERAGE HOMEOWNER'S CHARGES SURVEY								
	CITY PROPERTY TAXES (1, 6)		CITY SALES TAXES (2, 7)	SOLID WASTE CHARGES (3)	WATER CHARGES (4)	WASTEWATER CHARGE (5)	ANNUAL TOTAL	PERCENTAGE OF MESA PROPOSED
	PRIMARY	SECONDARY						
MESA-Proposed	median home value	\$100,700						
Rate	\$0.00	\$0.4469	1.75%	\$23.88	\$38.56	\$22.34		
Annual Cost	\$0.00	\$45.00	\$527.55	\$286.56	\$462.70	\$268.08	\$1,589.89	100.0%
MESA-Current		\$100,700						
Rate	\$0.0000	\$0.4469	1.75%	\$23.88	\$38.56	\$22.34		
Annual Cost	\$0.00	\$45.00	\$527.55	\$286.56	\$462.70	\$268.08	\$1,589.89	100.0%
CHANDLER		\$136,600						
Rate	\$0.3292	\$0.9422	1.50%	\$15.07	\$26.24	\$22.17		
Annual Cost	\$33.15	\$128.70	\$615.10	\$180.84	\$314.88	\$266.04	\$1,538.71	96.8%
GILBERT		\$143,300						
Rate	\$0.0000	\$1.1500	1.50%	\$17.30	\$25.26	\$22.29		
Annual Cost	\$0.00	\$164.80	\$539.83	\$207.60	\$303.12	\$267.48	\$1,482.83	93.3%
GLENDALE		\$81,000						
Rate	\$0.2252	\$1.3699	2.20%	\$16.30	\$35.04	\$32.79		
Annual Cost	\$22.68	\$110.96	\$862.80	\$195.60	\$420.48	\$393.48	\$2,006.00	126.2%
PHOENIX		\$78,300						
Rate	\$1.0542	\$0.7658	2.00%	\$26.85	\$30.80	\$22.56		
Annual Cost	\$106.16	\$59.96	\$749.99	\$322.20	\$369.60	\$270.72	\$1,878.63	118.2%
SCOTTSDALE		\$227,000						
Rate	\$0.4412	\$0.6503	1.65%	\$16.00	\$37.30	\$18.18		
Annual Cost	\$44.43	\$147.62	\$593.82	\$192.00	\$447.60	\$218.16	\$1,643.62	103.4%
TEMPE		\$124,500						
Rate	\$0.6572	\$1.1291	2.00%	\$19.98	\$32.22	\$24.34		
Annual Cost	\$66.18	\$140.57	\$719.78	\$239.76	\$386.64	\$292.03	\$1,844.96	116.0%

Notes:

1. Single family home with median value for each respective city
(2012 Preliminary Median FCV) x 10% x (Tax Rate/100) Source: Maricopa County Assessor's Office, (Median LPV by city not available)
2. Annual Maricopa County income of: \$66,400 Source: 2012 Median Family Income, Phoenix-Mesa-Glendale MSA - HUD User website
3. Charge for biweekly garbage (and recyclables where applicable) collection using 90 gallon barrels. The Solid Waste residential charges include a \$0.54 Green and Clean fee for Mesa. Other city's environmental fees are also included as applicable.
4. Based on Mesa's average monthly residential water use for the most recent twelve months.
5. Winter Water Average formulas are applied in cities where known. Changes in fees are due to both rate and formula changes.
6. Primary and Secondary Tax Rates reflect the 2011 Tax Rates as listed on the County Treasurer's website, which corresponds to the effective tax rates.
7. The city sales tax rate listed is for retail sales. Mesa does not collect sales tax on the sale of food for consumption at home.

Proposed Utility Rate Adjustments

City of Mesa, Arizona

Total Enterprise Fund

	ACTUAL FY2010/11	PROJECTED FY2011/12	FORECAST FY2012/13	FORECAST FY2013/14	FORECAST FY2014/15	FORECAST FY2015/16	FORECAST FY2016/17
Total Enterprise Fund							
TOTAL COSTS: UTILITIES		\$ 203,714,760	\$ 215,128,195	\$ 221,700,603	\$ 226,171,522	\$ 232,926,780	\$ 239,950,400
TOTAL COSTS: OTHER ENTERPRISES		\$ 14,728,788	\$ 34,821,804	\$ 18,960,133	\$ 19,238,172	\$ 19,524,124	\$ 19,815,824
TOTAL COSTS:		\$ 218,443,548	\$ 249,949,999	\$ 240,660,736	\$ 245,409,694	\$ 252,450,903	\$ 259,766,225
NET INCOMES AFTER TRANSFERS							
ELECTRIC		\$ 4,272,057	\$ 1,012,969	\$ 289,232	\$ 2,659,224	\$ 2,382,683	\$ 2,273,841
GAS		\$ 2,193,780	\$ 2,534,033	\$ 2,580,874	\$ 2,185,574	\$ 1,805,475	\$ 1,664,079
WATER		\$ (2,404,448)	\$ (1,424,543)	\$ (2,439,920)	\$ 9,255	\$ (173,262)	\$ 1,413,424
WASTEWATER		\$ 3,540,184	\$ 885,999	\$ 1,211,681	\$ (31,953)	\$ 2,621,978	\$ 3,152,451
SOLID WASTE		\$ 1,276,293	\$ (1,789,136)	\$ (1,672,398)	\$ (717,950)	\$ (457,523)	\$ 385,775
SUB-TOTAL: UTILITIES		\$ 8,877,866	\$ 1,219,321	\$ (30,531)	\$ 4,104,151	\$ 6,179,352	\$ 8,889,571
DISTRICT COOLING		\$ (255,000)	\$ 368,019	\$ 376,449	\$ 382,961	\$ 387,235	\$ 392,561
ECONOMIC INVESTMENT		\$ -	\$ (21,217,000)	\$ (5,100,000)	\$ (5,100,000)	\$ (5,100,000)	\$ (5,100,000)
GOLF		\$ (363,361)	\$ (725,647)	\$ (572,512)	\$ (519,333)	\$ (510,388)	\$ (510,740)
HOHOKAM-FITCH		\$ (448,000)	\$ (452,906)	\$ (589,584)	\$ (728,996)	\$ (871,196)	\$ (1,016,240)
CONVENTION CENTER		\$ (1,401,745)	\$ (1,395,501)	\$ (1,460,371)	\$ (1,526,539)	\$ (1,594,029)	\$ (1,662,870)
SUB-TOTAL: OTHER ENTERPRISES		\$ (2,468,106)	\$ (23,423,035)	\$ (7,346,018)	\$ (7,491,906)	\$ (7,688,378)	\$ (7,897,288)
TOTAL NET INCOMES AFTER TRANSFERS:		\$ 6,409,760	\$ (22,203,714)	\$ (7,376,549)	\$ (3,387,756)	\$ (1,509,026)	\$ 992,282
ENDING FUND BALANCE (unrestricted)	\$ 60,195,267	\$ 66,605,027	\$ 44,401,313	\$ 37,024,764	\$ 33,637,008	\$ 32,127,982	\$ 33,120,264
<i>Ending Fund Balance as a % of Total Costs</i>		30.5%	17.8%	15.4%	13.7%	12.7%	12.8%
RATE ADJUSTMENTS							
ELECTRIC			0.0%	0.0%	2.0%	0.0%	2.0%
GAS			0.0%	0.0%	2.0%	0.0%	2.0%
WATER			0.0%	0.0%	2.0%	2.0%	2.0%
WASTEWATER			0.0%	0.0%	2.0%	2.0%	2.0%
SOLID WASTE			0.0%	0.0%	2.0%	0.0%	2.0%

Proposed Utility Rate Adjustments

City of Mesa, Arizona

	ESTIMATE FY2011/12	FORECAST FY2012/13	FORECAST FY2013/14	FORECAST FY2014/15	FORECAST FY2015/16	FORECAST FY2016/17
Combined Utilities:						
REVENUES	\$ 264,597,419	\$ 268,705,682	\$ 271,281,905	\$ 279,015,585	\$ 286,700,407	\$ 295,204,829
APPROPRIATIONS/EXPENSES						
Total Operating Costs (w/o Purchased Power & Gas Costs)	\$ 102,164,296	\$ 107,580,850	\$ 109,934,784	\$ 112,764,794	\$ 115,803,324	\$ 118,957,972
RER (2%)	6,052,782	6,127,943	6,232,336	6,409,038	6,599,081	6,810,250
Capital Outlay	3,572,766	5,749,441	5,399,558	2,821,247	2,822,416	2,809,075
Off-setting Revenues	(4,736,000)	(4,685,000)	(4,581,000)	(4,795,000)	(5,462,000)	(6,271,000)
Existing Debt Service	\$ 65,348,902	\$ 65,716,772	\$ 65,450,926	\$ 65,468,438	\$ 65,245,568	\$ 65,247,879
Future Issuances with Voter Approval	0	3,381,354	5,260,833	8,133,484	9,139,346	9,959,417
Future Issuances Needing Voter Approval	0	0	0	494,433	2,758,321	5,186,666
Total Debt Service	\$ 65,348,902	\$ 69,098,126	\$ 70,711,759	\$ 74,096,355	\$ 77,143,235	\$ 80,393,962
Net Debt Service	60,612,902	64,413,126	66,130,759	69,301,355	71,681,235	74,122,962
Total Costs (w/o Purchased Power & Gas Costs)	\$ 172,402,746	\$ 183,871,360	\$ 187,697,436	\$ 191,296,434	\$ 196,906,056	\$ 202,700,259
Total Net Income	\$ 92,194,672	\$ 84,834,322	\$ 83,584,469	\$ 87,719,151	\$ 89,794,352	\$ 92,504,571
Net Income as a % of Revenue	34.8%	31.6%	30.8%	31.4%	31.3%	31.3%
Transfers Out	(83,615,000)	(83,615,000)	(83,615,000)	(83,615,000)	(83,615,000)	(83,615,000)
Transfer as a % of Revenue	31.6%	31.1%	30.8%	30.0%	29.2%	28.3%
NET INCOME AFTER GF TRANSFER & Purchased Power/Gas	\$ 8,877,866	\$ 1,219,321	\$ (30,531)	\$ 4,104,151	\$ 6,179,352	\$ 8,889,571

Proposed Utility Rate Adjustments

Electric Program Enterprise Fund

Rate Adjustments (Proposed in Highlighted Area) *
 REVENUES (not including purch power pass-through)

APPROPRIATIONS/EXPENSES

Total Operating Costs (not including purchased power)
 RER (2%)
 Capital Outlay

Off-setting Revenues

Existing Debt Service	\$ 867,661	\$ 867,658	\$ 867,658	\$ 867,658	\$ 867,658	\$ 867,658
Future Issuances with Voter Approval	0	232,917	350,417	550,769	583,740	579,957
Future Issuances Needing Voter Approval	0	0	0	0	269,546	539,498
Total Debt Service	\$ 867,661	\$ 1,100,575	\$ 1,218,075	\$ 1,418,427	\$ 1,720,944	\$ 1,987,113

Net Debt Service 689,661 922,575 1,040,075 1,240,427 1,542,944 1,809,113

Total Costs \$ 7,849,872 \$ 10,518,157 \$ 11,307,150 \$ 9,245,180 \$ 9,706,855 \$ 10,136,196

Total Net Income \$ 9,584,696 \$ 7,012,969 \$ 6,289,232 \$ 8,659,224 \$ 8,382,683 \$ 8,273,841
 Net Income as a % of Revenue 55.0% 40.0% 35.7% 48.4% 46.3% 44.9%

Transfers Out \$ (6,000,000) \$ (6,000,000) \$ (6,000,000) \$ (6,000,000) \$ (6,000,000) \$ (6,000,000)
 Transfer as a % of Revenue 34.4% 34.2% 34.1% 33.5% 33.2% 32.6%

NET INCOME AFTER GF TRANSFER & EECAF \$ 4,272,057 \$ 1,012,969 \$ 289,232 \$ 2,659,224 \$ 2,382,683 \$ 2,273,841

Proposed Utility Rate Adjustments

City of Mesa, Arizona

Gas Program Enterprise Fund

Rate Adjustments (Proposed in Highlighted Area) *

REVENUES

APPROPRIATIONS/EXPENSES

Total Operating Costs without purchased natural gas costs

RER (2%)

Capital Outlay

Off-setting Revenues

	ESTIMATE FY2011/12	FORECAST FY2012/13	FORECAST FY2013/14	FORECAST FY2014/15	FORECAST FY2015/16	FORECAST FY2016/17
	2.5%	0.0%	0.0%	2.0%	0.0%	2.0%
REVENUES	\$ 26,797,807	\$ 27,632,187	\$ 27,798,198	\$ 28,544,697	\$ 28,928,476	\$ 29,770,920
APPROPRIATIONS/EXPENSES						
Total Operating Costs without purchased natural gas costs	\$ 12,157,802	\$ 12,120,168	\$ 12,365,787	\$ 12,638,481	\$ 12,907,978	\$ 13,186,212
RER (2%)	\$ 815,115	\$ 857,890	\$ 893,148	\$ 930,142	\$ 958,057	\$ 998,101
Capital Outlay	603,677	300,000	306,122	312,372	319,260	326,020
Off-setting Revenues	(276,000)	(276,000)	(276,000)	(276,000)	(276,000)	(276,000)
Existing Debt Service	\$ 3,743,917	\$ 4,014,394	\$ 3,645,836	\$ 3,898,053	\$ 3,710,234	\$ 3,803,298
Future Issuances with Voter Approval	0	911,354	1,112,083	1,685,726	1,864,113	1,846,874
Future Issuances Needing Voter Approval	0	0	0	0	469,010	1,051,988
Total Debt Service	\$ 3,743,917	\$ 4,925,748	\$ 4,757,919	\$ 5,583,779	\$ 6,043,357	\$ 6,702,159
Net Debt Service	3,467,917	4,649,748	4,481,919	5,307,779	5,767,357	6,426,159
Total Costs	\$ 17,044,511	\$ 17,927,806	\$ 18,046,976	\$ 19,188,775	\$ 19,952,652	\$ 20,936,492
Total Net Income	\$ 9,753,296	\$ 9,704,381	\$ 9,751,222	\$ 9,355,922	\$ 8,975,823	\$ 8,834,427
Net Income as a % of Revenue	36.4%	35.1%	35.1%	32.8%	31.0%	29.7%
Transfers Out	\$ (7,170,348)	\$ (7,170,348)	\$ (7,170,348)	\$ (7,170,348)	\$ (7,170,348)	\$ (7,170,348)
Transfer as a % of Revenue	26.8%	25.9%	25.8%	25.1%	24.8%	24.1%
NET INCOME AFTER GF TRANSFER & PNGCAF	\$ 2,193,780	\$ 2,534,033	\$ 2,580,874	\$ 2,185,574	\$ 1,805,475	\$ 1,664,079

Proposed Utility Rate Adjustments

Water Program Enterprise Fund

Rate Adjustments (Proposed in Highlighted Area) *

REVENUES

APPROPRIATIONS/EXPENSES

	ESTIMATE FY2011/12	FORECAST FY2012/13	FORECAST FY2013/14	FORECAST FY2014/15	FORECAST FY2015/16	FORECAST FY2016/17
	6.8%	0.0%	0.0%	2.0%	2.0%	2.0%
REVENUES	\$ 110,393,025	\$ 113,020,919	\$ 114,132,902	\$ 117,376,944	\$ 121,248,206	\$ 124,921,293
APPROPRIATIONS/EXPENSES						
Total Operating Costs	\$ 37,143,615	\$ 38,717,433	\$ 39,574,358	\$ 40,625,778	\$ 41,852,989	\$ 43,129,995
RER (2%)	\$ 2,276,354	\$ 2,329,471	\$ 2,350,792	\$ 2,417,923	\$ 2,501,482	\$ 2,582,576
Capital Outlay	1,223,807	659,000	209,000	74,000	74,000	74,000
Off-setting Revenues	(2,438,000)	(2,415,000)	(2,368,000)	(2,465,000)	(2,767,000)	(3,133,000)
Existing Debt Service	\$ 27,941,708	\$ 27,584,159	\$ 28,293,356	\$ 26,277,360	\$ 27,384,435	\$ 26,944,013
Future Issuances with Voter Approval	0	1,825,417	2,768,333	4,198,212	4,610,815	4,570,122
Future Issuances Needing Voter Approval	0	0	0	494,433	2,019,766	3,595,180
Total Debt Service	\$ 27,941,708	\$ 29,409,576	\$ 31,061,689	\$ 30,970,006	\$ 34,015,015	\$ 35,109,315
Net Debt Service	25,503,708	26,994,576	28,693,689	28,505,006	31,248,015	31,976,315
Total Costs	\$ 66,147,484	\$ 68,700,480	\$ 70,827,840	\$ 71,622,707	\$ 75,676,486	\$ 77,762,887
Total Net Income	\$ 44,245,541	\$ 44,320,439	\$ 43,305,062	\$ 45,754,237	\$ 45,571,720	\$ 47,158,406
Net Income as a % of Revenue	40.1%	39.2%	37.9%	39.0%	37.6%	37.8%
Transfers Out	\$ (46,649,989)	\$ (45,744,982)	\$ (45,744,982)	\$ (45,744,982)	\$ (45,744,982)	\$ (45,744,982)
Transfer as a % of Revenue	42.3%	40.5%	40.1%	39.0%	37.7%	36.6%
NET INCOME AFTER GF TRANSFER	\$ (2,404,448)	\$ (1,424,543)	\$ (2,439,920)	\$ 9,255	\$ (173,262)	\$ 1,413,424

Proposed Utility Rate Adjustments

Wastewater Program Enterprise Fund

Rate Adjustments (Proposed in Highlighted Area) *

REVENUES

APPROPRIATIONS/EXPENSES

	ESTIMATE FY2011/12	FORECAST FY2012/13	FORECAST FY2013/14	FORECAST FY2014/15	FORECAST FY2015/16	FORECAST FY2016/17
	5.8%	0.0%	0.0%	2.0%	2.0%	2.0%
REVENUES	\$ 62,562,382	\$ 62,902,003	\$ 63,594,352	\$ 65,550,565	\$ 67,844,900	\$ 70,052,067
APPROPRIATIONS/EXPENSES						
Total Operating Costs	\$ 20,874,991	\$ 22,346,188	\$ 23,040,893	\$ 23,789,002	\$ 24,575,954	\$ 25,398,963
RER (2%)	\$ 1,292,904	\$ 1,299,200	\$ 1,311,907	\$ 1,353,371	\$ 1,406,558	\$ 1,459,561
Capital Outlay	828,042	458,000	106,000	90,000	90,000	90,000
Off-setting Revenues	(1,844,000)	(1,816,000)	(1,759,000)	(1,876,000)	(2,241,000)	(2,684,000)
Existing Debt Service	\$ 32,568,735	\$ 33,110,416	\$ 32,446,338	\$ 34,320,836	\$ 33,104,199	\$ 33,466,094
Future Issuances with Voter Approval	0	411,667	1,030,000	1,698,776	2,080,678	2,962,464
Future Issuances Needing Voter Approval	0	0	0	0	0	0
Total Debt Service	\$ 32,568,735	\$ 33,522,083	\$ 33,476,338	\$ 36,019,612	\$ 35,184,877	\$ 36,428,558
Net Debt Service	30,724,735	31,706,083	31,717,338	34,143,612	32,943,877	33,744,558
Total Costs	\$ 53,720,672	\$ 55,809,470	\$ 56,176,138	\$ 59,375,985	\$ 59,016,389	\$ 60,693,083
Total Net Income	\$ 8,841,710	\$ 7,092,532	\$ 7,418,214	\$ 6,174,580	\$ 8,828,511	\$ 9,358,984
Net Income as a % of Revenue	14.1%	11.3%	11.7%	9.4%	13.0%	13.4%
Transfers Out	\$ (5,301,526)	\$ (6,206,533)	\$ (6,206,533)	\$ (6,206,533)	\$ (6,206,533)	\$ (6,206,533)
Transfer as a % of Revenue	8.5%	9.9%	9.8%	9.5%	9.1%	8.9%
NET INCOME AFTER GF TRANSFER	\$ 3,540,184	\$ 885,999	\$ 1,211,681	\$ (31,953)	\$ 2,621,978	\$ 3,152,451

Proposed Utility Rate Adjustments

City of Mesa, Arizona

Solid Waste Program Enterprise Fund

Rate Adjustments (Proposed in Highlighted Area) *

REVENUES

APPROPRIATIONS/EXPENSES

	ESTIMATE FY2011/12	FORECAST FY2012/13	FORECAST FY2013/14	FORECAST FY2014/15	FORECAST FY2015/16
	0.0%	0.0%	0.0%	2.0%	0.0%
REVENUES	\$ 47,409,637	\$ 47,619,448	\$ 48,160,071	\$ 49,638,974	\$ 50,589,287
APPROPRIATIONS/EXPENSES					
Total Operating Costs	\$ 26,053,873	\$ 28,081,812	\$ 28,510,298	\$ 29,128,550	\$ 29,741,888
RER (2%)	\$ 951,453	\$ 955,649	\$ 966,461	\$ 996,039	\$ 1,015,046
Capital Outlay	408,000	1,737,841	1,664,835	1,634,666	1,617,697
Off-setting Revenues	0	0	0	0	0
Existing Debt Service	\$ 226,881	\$ 140,145	\$ 197,738	\$ 104,531	\$ 179,042
Future Issuances with Voter Approval	0	0	0	0	0
Future Issuances Needing Voter Approval	0	0	0	0	0
Total Debt Service	\$ 226,881	\$ 140,145	\$ 197,738	\$ 104,531	\$ 179,042
Net Debt Service	226,881	140,145	197,738	104,531	179,042
Total Costs	\$ 27,640,207	\$ 30,915,447	\$ 31,339,332	\$ 31,863,786	\$ 32,553,673
Total Net Income	\$ 19,769,430	\$ 16,704,001	\$ 16,820,739	\$ 17,775,188	\$ 18,035,614
Net Income as a % of Revenue	41.7%	35.1%	34.9%	35.8%	35.7%
Transfers Out	(18,493,137)	(18,493,137)	(18,493,137)	(18,493,137)	(18,493,137)
Transfer as a % of Revenue	39.0%	38.8%	38.4%	37.3%	36.6%
NET INCOME AFTER GF TRANSFER	\$ 1,276,293	\$ (1,789,136)	\$ (1,672,398)	\$ (717,950)	\$ (457,523)

TWENTY-FIVE YEAR RESIDENTIAL RATE HISTORY
 (% of residential rate adjustment each year)

FISCAL YEAR	ELECTRIC (6)	NATURAL GAS (5)	WATER	WASTEWATER	SOLID WASTE
FY'87/88	0.00%	7.00%	8.00%	10.00%	5.00%
FY'89/90	2.00%	5.00%	5.00%	12.50%	3.00%
FY'90/91	5.65%	4.00%	6.50%	12.00%	5.00%
FY'91/92	3.00%	0.00%	4.50%	5.00%	4.00%
FY'92/93	1.25%	0.00%	2.31%	7.75%	10.00%
FY'93/94 (1)	1.50%	0.00%	4.00%	3.94%	15.30%
FY'94/95 (2)	0.00%	0.00%	3.68%	0.00%	0.00%
FY'95/96 (3)	0.00%	0.00%	8.38%	0.00%	0.00%
FY'96/97	0.00%	0.00%	0.00%	0.00%	0.00%
FY'97/98 (4)	0.00%	3.20%	5.30%	5.10%	7.00%
FY'98/99	0.00%	0.00%	0.00%	0.00%	0.00%
FY'99/00	0.00%	7.13%	5.00%	5.00%	0.00%
FY'00/01	0.00%	3.00%	3.00%	3.00%	3.30%
FY'01/02	0.00%	6.00%	4.00%	4.00%	6.30%
FY'02/03	0.00%	6.00%	5.00%	5.00%	6.00%
FY'03/04	2.00%	3.00%	4.00%	5.00%	5.00%
FY'04/05	0.00%	4.00%	4.50%	6.00%	5.00%
FY'05/06	0.00%	5.00%	5.00%	5.00%	5.00%
FY'06/07	0.00%	5.00%	6.60%	5.00%	5.00%
FY'07/08	0.00%	5.00%	4.50%	7.00%	5.00%
FY'08/09	0.00%	3.00%	3.00%	4.50%	5.50%
FY'09/10	0.00%	3.00%	3.40%	6.50%	0.00%
FY'10/11	0.00%	2.50%	5.50%	4.50%	0.00%
FY'11/12	0.00%	2.50%	6.80%	5.80%	0.00%
FY'12/13	0.00%	0.00%	0.00%	0.00%	0.00%

Notes:

1. Solid Waste - Net change of 15.3%. Increased from \$12.35 to \$15.75 on 7/1/93. Reduced to \$14.25 on 12/1/93.
2. Water - Net average annual adjustment for water customers in the Western Zone customers only.
3. Water - 8.38% Net average annual increase for residential water customers in the Western Zone only.
4. Water - Balancing of water rates completed City-wide. Percentage shown is composite of changes made to the previous Western, Eastern and RWCD zones.
5. Natural Gas - The rate of increase for natural gas services could be higher (or lower) depending on the price of the natural gas resulting from variations in market prices and the City's gas supply contracts.
6. Electric - The rate of increase for electric services could be higher (or lower) depending on the price of the purchased power resulting from variations in market prices and the City's purchased power supply contracts.

Attachment 4

Notice of Intention

The Mayor and Council of the City of Mesa adopts this Notice of Intention to adjust rates or rate components, fees and/or service charges for district cooling, electric, irrigation water, natural gas, reclaimed water, solid waste, wastewater, and water.

A public hearing on the proposed increases will be held as part of the City Council's regular meeting on June 25, 2012 at 5:45 pm in the Mesa City Council Chambers located at 57 East 1st Street.

A copy of the written report supporting the revised rate schedules for electric, irrigation water, natural gas, reclaimed water, solid waste, wastewater, and water along with the proposed Ordinances and Resolutions will be available in the Office of the City Clerk, 20 E. Main Street, Suite 150, Mesa, Arizona, by May 24, 2012.

Attachment 5

Ordinances, Resolutions and Rate Schedules

These documents will be included with the City Council packet to be filed with the City Clerk in compliance with ARS 9-511.01 and presented to the City Council prior to the introduction of the associated ordinances on June 4, 2012.